

**Mental Health Clinic of Tama County**

**Independent Auditor's Reports  
Financial Statements and  
Supplementary Information  
June 30, 2011 and 2010**

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Mental Health Clinic of Tama County  
Board of Directors  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Berlene Wobeter	President	September 2012
Anita Townsley	Secretary / Treasurer	September 2012
Linda Rosenberger	Director	September 2013
Larry Vest	Director	N/A
Bruce Reinders	V/P - Director	September 2012
Kendal Jordan	Director	N/A
Dan Wilkens	Director	N/A
Mike Gilchrist	Director	September 2012
Linda King	Director	September 2013
Tom Steele	Director	N/A
Chris Winkelpleck	Director	N/A
Pat Kline	Executive Director	Indefinite

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**Independent Auditor's Report**

To the Board of Directors of  
Mental Health Clinic of Tama County:

We have audited the accompanying statements of financial position of the Mental Health Clinic of Tama County as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mental Health Clinic of Tama County at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2011 on our consideration of the Mental Health Clinic of Tama County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

ROLAND & DIELEMAN



Certified Public Accountants

August 23, 2011

Mental Health Clinic of Tama County  
Statements of Financial Position  
June 30, 2011 and 2010

Exhibit A

	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 5,264	\$ 81,898
Cash - restricted by Loan Covenant	11,700	11,700
Accounts receivable (Note 4)	42,132	45,200
Other receivables	62,832	68,848
Prepaid insurance	<u>1,341</u>	<u>1,332</u>
Total Current Assets	<u>123,269</u>	<u>208,978</u>
Property and Equipment:		
Equipment (Note 2)	97,059	97,059
Building and Land (Note 2)	190,462	190,462
Less: Accumulated depreciation	<u>(185,647)</u>	<u>(180,055)</u>
Total Undepreciated Value of Property and Equipment	<u>101,874</u>	<u>107,466</u>
Total Assets	<u>\$ 225,143</u>	<u>\$ 316,444</u>

See Notes to Financial Statements

Mental Health Clinic of Tama County  
 Statements of Financial Position  
 June 30, 2011 and 2010

Exhibit A

**Liabilities and Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Current Liabilities:</b>		
Bank overdraft	\$ 15,969	\$ 0
Accounts payable	5,078	969
Accrued vacation (Note 1)	39,816	38,158
Accrued payroll liabilities	7,403	4,148
Note payable - current (Note 3)	<u>5,835</u>	<u>5,502</u>
Total Current Liabilities	<u>74,101</u>	<u>48,777</u>
<b>Long-Term Liabilities:</b>		
Note payable - State Bank of Toledo	4,728	6,712
Note payable - USDA - Rural Development	140,357	144,261
Less: Current portion shown above	<u>( 5,835)</u>	<u>( 5,502)</u>
Total Long-Term Liabilities	<u>139,250</u>	<u>145,471</u>
Total Liabilities	<u>213,351</u>	<u>194,248</u>
<b>Net Assets:</b>		
Unrestricted	92	110,496
Temporarily restricted	<u>11,700</u>	<u>11,700</u>
Total Net Assets	<u>11,792</u>	<u>122,196</u>
Total Liabilities and Net Assets	<u>\$ 225,143</u>	<u>\$ 316,444</u>

See Notes to Financial Statements

Mental Health Clinic of Tama County  
 Statements of Activities  
 For the Years Ended June 30, 2011 and 2010

Exhibit B

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Public Support and Revenues:		
Public Support:		
Tama County	\$ 132,424 ✓	\$ 124,754
United Way & Community Foundation	5,000 ✓	14,789
Grants	<u>71,199 ✓</u>	<u>40,816</u>
	<u>208,623</u>	<u>180,359</u>
Revenues:		
Case management and SCL	87,966	117,380
Mental health services	375,886	353,053
Interest income	456 ✓	1,161
Other	<u>21,394</u>	<u>17,567</u>
	<u>485,702</u>	<u>489,161</u>
Total Unrestricted Public Support and Revenues	<u>694,325</u>	<u>669,520</u>
Expenses:		
Program Services :		
Mental Health Center Programs	<u>804,729</u>	<u>666,905</u>
Total Expenses	<u>804,729</u>	<u>666,905</u>
Increase or (Decrease) in Unrestricted Net Assets	(110,404)	2,615
Temporarily Restricted Net Assets:		
Increase or (Decrease) in Temporarily Restricted Net Assets	<u>0</u>	<u>0</u>
Increase or (Decrease) in Net Assets	(110,404)	2,615
Net Assets, Beginning of Year	<u>122,196</u>	<u>119,581</u>
Net Assets, End of Year	\$ <u>11,792</u>	\$ <u>122,196</u>

See Notes to Financial Statements

Mental Health Clinic of Tama County  
 Statements of Functional Expenses  
 For the Years Ended June 30, 2011 and 2010

Exhibit C

	<u>2011</u>	<u>2010</u>
	<u>Mental Health Center Programs</u>	
Salaries	\$ 459,190	\$ 354,118
Payroll taxes and benefits	70,923	64,794
Insurance expense	6,346	5,427
Travel	15,146	14,661
Office supplies	32,576	23,418
Telephone	8,031	6,844
Outside services	133,761	133,197
Annuity expense	22,539	23,110
Continuing education and dues	8,596	6,157
Interest	8,156	9,504
Administrative expense	<u>33,873</u>	<u>20,049</u>
Total expenses before depreciation	799,137	661,279
Depreciation	<u>5,592</u>	<u>5,626</u>
Total Expenses	<u>\$ 804,729</u>	<u>\$ 666,905</u>

See Notes to Financial Statements

Mental Health Clinic of Tama County  
 Statements of Cash Flows  
 For the Years Ended June 30, 2011 and 2010

Exhibit D

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (110,404)	\$ 2,615
Adjustments to Reconcile Change in Net Assets to Net Cash Used:		
Depreciation	5,592	5,626
Changes in Assets and Liabilities:		
Prepayment	( 9)	600
Accounts receivable	3,068	11,278
Other receivables	6,016	( 9,691)
Accounts payable	7,364	798
Accrued vacation	<u>1,658</u>	<u>( 3,394)</u>
Net Cash Provided by or Used For Operations	<u>( 86,715)</u>	<u>7,832</u>
Cash Flows from Financing Activities:		
(Payment) on debt	<u>( 5,888)</u>	<u>( 4,566)</u>
Net Cash Provided by or Used for Financing Activities	<u>( 5,888)</u>	<u>( 4,566)</u>
Net Increase or (Decrease) in Cash	( 92,603)	3,266
Beginning Cash and Cash Equivalents Balance	<u>93,598</u>	<u>90,332</u>
Ending Cash and Cash Equivalents Balance	\$ <u>995</u>	\$ <u>93,598</u>

The Clinic considers all investments to be cash equivalents. The Clinic paid interest of \$8,156 for the year ended June 30, 2011 and \$9,504 for the year ended June 30, 2010.

See Notes to Financial Statements

Mental Health Clinic of Tama County  
Notes to Financial Statements  
June 30, 2011 and 2010

**Note (1) Summary of Significant Accounting Policies**

A. Reporting Entity

The Clinic is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Tama County.

The Clinic is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Clinic's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

Current Funds - Unrestricted - The current unrestricted fund accounts for all resources over which the Clinic has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for unrestricted amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Clinic maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the statement of financial position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Expenditures for the purchase of property and equipment providing future benefits are capitalized in the regular fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Clinic and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Reserve fund required by debt covenants.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting policies are followed in preparing the statement of financial position:

Cash and Cash Equivalents - The Clinic considers savings accounts and all other highly liquid investments to be cash equivalents.

Receivables - Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years. No interest costs were capitalized since there were no qualifying assets. Depreciation for the years ended June 30, 2011 and 2010 was \$5,592 and \$5,626 respectively. Assets over \$7,500 are capitalized with lesser value items being directly written off.

Compensated Absences - Clinic employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2011.

F. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Note (2) Property and Equipment**

A summary of changes in property and equipment is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Furniture and fixtures	97,059	0	0	97,059
Building	<u>190,462</u>	<u>0</u>	<u>0</u>	<u>190,462</u>
	<u>\$287,521</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$287,521</u>

**Note (3) Note Payable**

The Clinic borrowed \$180,000 from USDA - Rural Development to build a new facility. The interest rate is 5.75%. The loan is being amortized over 40 years with monthly principal and interest payments of \$975. One years payments are considered restricted assets on the Statement of Financial Position. The building is collateral for the note. The note is due July 1, 2031.

The Clinic borrowed \$10,056 from State Bank of Toledo for a new roof. The loan is for 5 years with monthly payments of \$194 including interest at 6%.

Maturities of long-term debt:

2012	\$ 5,835
2013	\$ 6,187
2014	\$ 4,567
2015	\$ 4,407
2016	\$ 4,232

**Note (4) Accounts Receivable**

The accounts receivable is shown on the balance sheet less an allowance for uncollectible accounts of \$31,174 for 2011 and \$37,405 for 2010.

**Note (5) Risk Management**

The Mental Health Clinic of Tama County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Note (6) Retirement Plan**

The Clinic contributes 7% of the salaries of full-time employees to tax sheltered annuities of the employees choice. The payments are 100% vested immediately. The Clinic's required and actual contributions for the year ended June 30, 2011 was \$22,539 and for the year ended June 30, 2010 it was \$23,110.

**Note (7) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note (8) Evaluation of Subsequent Events**

Subsequent events were evaluated through August 23, 2011, which is the date the financial statements were available to be issued.

**Note (9) Appeal**

The Clinic received a notice from Magellan Health Services that the Clinic may have to repay them \$56,252. This is being appealed, but the outcome is uncertain at this time. The amount is not recorded as a liability or an expense on the Clinic's records.

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**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Directors of  
Mental Health Clinic of Tama County :

We have audited the financial statements of Mental Health Clinic of Tama County, Iowa, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated August 23, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mental Health Clinic of Tama County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mental Health Clinic of Tama County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mental Health Clinic of Tama County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in *internal control* such that there is a reasonable possibility a material misstatement of the Clinic's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health Clinic of Tama County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Clinic's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Clinic. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the Mental Health Clinic of Tama County and other parties to whom the Clinic may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mental Health Clinic of Tama County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ROLAND & DIELEMAN



Certified Public Accountants

August 23, 2011

Mental Health Clinic of Tama County

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA